

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6907

BILL NUMBER: HB 1811

NOTE PREPARED: Feb 11, 2003

BILL AMENDED: Feb 10, 2003

SUBJECT: Various Tax Matters.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill contains the following provisions:

- (1) It prohibits the assignment of the right to a refund of Sales Tax paid by a retail merchant for a sale related to an uncollectible account receivable.
- (2) It requires the filing of an amended Indiana return when modifications in a taxpayer's federal return results in a change in the taxpayer's adjusted gross income.
- (3) It eliminates a requirement that a withholding agent that makes electronic adjusted gross income deposits file a quarterly return.
- (4) It expands the penalties applicable to a person who does not register an aircraft and pay applicable gross retail taxes.
- (5) It eliminates the requirement that the Department of State Revenue collect vehicle identification information on a tax return.
- (6) It allows the Department of State Revenue to remove a person who is not liable for unpaid tax from an assessment notice.
- (7) It also indicates that the limitation period on the issuance of an assessment does not apply to an assessment reissued to the persons liable for the tax.
- (8) The bill repeals an obsolete law granting an expired Investment Credit and a criminal penalty for failure to provide motor vehicle information to the Department of State Revenue.

(9) For purposes of the financial institutions tax: (1) the bill eliminates an exception to the term "unitary group"; and (2) it provides for the taxation of receipts that are not taxable in any other taxing jurisdiction.

Effective Date: (Amended) July 1, 2003; December 31, 2003; July 1, 2004.

Explanation of State Expenditures: *Department of State Revenue:* It is presumed that the Department could absorb any additional costs associated with this proposal.

Explanation of State Revenues: (Revised) (9) *Financial Institutions Tax (FIT):* The bill adds a definition of what is taxable income for the purposes of allocating and apportioning income under the FIT. This will effectively include receipts that are not taxable in any other taxing jurisdiction, or otherwise referred to as "no where income." Based on an analysis conducted by the Department of State Revenue in 2000 on FIT returns, this provision may increase FIT collections by approximately \$5 M annually. This provision is not effective until tax years beginning January 1, 2004, so revenue collections may be impacted with quarterly payments as early as FY 2004. FIT revenue is deposited in the General Fund.

The other provisions of this bill provide clarification to existing law and are not expected to have a significant fiscal impact.

Background Information: Revenue from the state's 6% Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Loan Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Tom Conley, Department of State Revenue, 232-2107.

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